

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Highlands Bancorp, Inc.

Point of Contact:	Eileen D. Piersa	RSSD: (For Bank Holding Companies)	4136037
UST Sequence Number:	688	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	5,450,000	FDIC Certificate Number: (For Depository Institutions)	58048
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	May 08, 2009	City:	Vernon
Date Repaid ¹ :	N/A	State:	New Jersey

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

As of May 31, 2011, the bank's total loan portfolio has grown 15.3% since January 1, 2010.

☒ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

Commercial real estate loans increased 32.9%C&I loans grew 11.2%Residential mortgage loans increased 8.9%Consumer loans declined 12.2%

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X Increase securities purchased (ABS, MBS, etc.).

During 2010, the Company was able to purchase \$7.1 million in new securities.

X Make other investments.

During 2010 and 2011, the Company increased its short term investments in FDIC insured certificates of deposits in other banks by \$26.0 million.

X Increase reserves for non-performing assets.

Provision for loan losses increased 26.1%

X Reduce borrowings.

Borrowings declined \$1.0 million

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☒ **Increase charge-offs.**

Charge-offs during 2010 and the first five months of 2011 were \$514 thousand.

☐ **Purchase another financial institution or purchase assets from another financial institution.**

☐ **Held as non-leveraged increase to total capital.**

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

Receipt of the CPP funds enhanced the Bank's ability to grow and make loans. Specifically, the capital infusion has allowed the Bank to originate and hold larger dollar loans by increasing its legal lending limit.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.